

**CITY OF GARBER
GARFIELD, OKLAHOMA
AUDITOR'S REPORT**

AND

**FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2013**

***WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA***

CITY OF GARBER

GARFIELD COUNTY, OKLAHOMA

CITY COUNCIL (TRUSTEES) AND OFFICERS

2012-2013

Carol Trekell

Mayor (Resigned)

Sam Strecker

Mayor, ran unopposed took office February 2013

Debbie Powell

Interim Mayor, President of the Council, Councilperson

Patricia Berry

Councilperson, elected out of office April 2013

Warren Dell

Councilperson elected in April 2013

David Bradford

Councilperson, resigned in June 2013

Josh Fagan

Councilperson, appointed by Mayor

Gerald Carson

Councilperson

April Anson

City Clerk resigned in September 2012

Natawsha Wedel

Interim City Clerk from October '12 to February '13. Ran unopposed took office in February.

Sheri Dennis

City Treasurer

Jim Whitehead

Public Works Director

Richard Crump

Attorney

James Long

Municipal Judge

CONTENTS

	<u>Page</u>
City Officials	
Contents	
Management's Discussion and Analysis - Omitted	
Independent Auditors' Report	
Government Wide Financial Statements	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Statement of Net Assets by Fund – Modified Cash Basis	
Governmental Funds	5
Proprietary Funds	6
Statement of Revenue, Expenditures and Changes in Fund Balance by Fund	
Governmental Funds	7
Proprietary Funds	8
Statement of Cash Flows – Proprietary Fund	9
Notes to financial statements	10-19
Supplemental Information	
Budgetary Comparison Schedule General Fund – Cash Basis	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based Upon an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

121 SOUTH NOBLE ~ P.O. Box 181
PHONE 580-623-5071

WATONGA, OKLAHOMA 73772
FAX 580-623-5072

WGAEUER@GAUERCPA.MYGBIZ.COM

INDEPENDENT AUDITOR'S REPORT

To the City Council
Garber, Oklahoma

We have audited the accompanying financial statements of City of Garber, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Garber, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Garber, State of Oklahoma's basic financial statements. The management's discussion (omitted) and analysis and budgetary comparison information in the supplemental section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



William K. Gauger
Watonga, Oklahoma
January 31, 2014

CITY OF GARBER, OKLAHOMA
Statement of Net Assets-Modified Cash Basis
June 30, 2013

	<u>Primary Government</u>		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Unrestricted			
Cash and Cash Equivalents	\$ 434,954	\$ 487,724	\$ 922,678
Investments	146,382	47,202	193,584
Due from other fund	-	-	-
Restricted Cash	-	47,070	47,070
Restricted Investments	-	37,690	37,690
Land and construction-in-process	-	15,000	15,000
Other capital assets, net	-	458,128	458,128
Total Assets	<u>581,336</u>	<u>1,092,814</u>	<u>1,674,149</u>
LIABILITIES			
Due to Other Funds	-	-	-
Deposits	-	47,263	47,263
Long-term Liabilities			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	<u>-</u>	<u>47,263</u>	<u>47,263</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	473,128	473,128
Restricted	-	37,496	37,496
Unrestricted	581,336	534,926	1,116,262
Total Net Assets	<u>\$ 581,336</u>	<u>\$ 1,045,550</u>	<u>\$ 1,626,886</u>

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2013

Functional Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 83,765	\$ 649	\$ -	\$ -	\$ (83,116)	\$ -	\$ (83,116)
Culture, parks and recreation	19,070	2,046	-	-	(17,024)	-	(17,024)
Municipal Court	2,400	-	-	-	(2,400)	-	(2,400)
Public Safety	56,022	6,628	-	-	(49,393)	-	(49,393)
Highway and Streets	8,791	-	-	-	(8,791)	-	(8,791)
Trash	44,948	55,635	-	-	10,687	-	10,687
Total governmental activities	<u>214,995</u>	<u>64,958</u>	<u>-</u>	<u>-</u>	<u>(150,038)</u>	<u>-</u>	<u>(150,038)</u>
Business-Type Activities:							
Water	57,737	268,657	-	-	\$ -	210,920	210,920
Sewer	-	48,367	-	-	-	48,367	48,367
Cable	-	-	-	-	-	-	-
General Operating	86,722	-	-	-	-	(86,722)	(86,722)
Total business-type activities	<u>144,459</u>	<u>317,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,565</u>	<u>172,565</u>
Total Primary Government	<u>359,454</u>	<u>381,982</u>	<u>-</u>	<u>-</u>	<u>(150,038)</u>	<u>172,565</u>	<u>22,527</u>
Total Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
General Revenues:							
Taxes					214,131	-	214,131
Intergovernment revenue					8,625	-	8,625
Investment income					681	907	1,588
Miscellaneous					10,241	8,681	18,922
Transfers-Internal Activity							
Transfer from GMA to General Fund					45,000	(45,000)	-
Total general revenues and transfers					<u>278,677</u>	<u>(35,412)</u>	<u>243,265</u>
Changes in Net Assets					128,640	137,152	265,792
Net Assets - Beginning					<u>452,696</u>	<u>908,397</u>	<u>1,361,093</u>
Net Assets - Ending					<u>\$ 581,336</u>	<u>\$ 1,045,550</u>	<u>\$ 1,626,885</u>

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	2-cent Sales Tax Fund	Cleet Fund	Grant Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 324,705	\$ 102,722	\$ 445	\$ 7,082	\$ 434,954
Due from Other Funds	-	-	-	-	-
Investments	49,298	97,084	-	-	146,382
	-	-	-	-	-
Total Current Assets	<u>374,003</u>	<u>199,806</u>	<u>445</u>	<u>7,082</u>	<u>581,336</u>
Non-current Assets:					
Capital Assets					
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>374,003</u>	<u>199,806</u>	<u>445</u>	<u>7,082</u>	<u>581,336</u>
LIABILITIES					
Accounts payable & accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Non-Spendable:					
Invested in Capital Assets, net of debt	-	-	-	-	-
Restricted	-	-	-	7,082	7,082
Committed	-	-	445	-	445
Assigned	-	199,806	-	-	199,806
Unrestricted	<u>374,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,003</u>
Total Net Assets	<u>374,003</u>	<u>199,806</u>	<u>445</u>	<u>7,082</u>	<u>581,336</u>

Reconciliation to Statement of Net Assets:

Amount reported for governmentall activities in the statement of net assets

Capital assets	-
	-
	-
	<u>-</u>

\$ 581,336

See accompanying notes to the basic financial statements,

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

	Garber Municipal Authority	Garber Economic Development Authority	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 459,149	\$ 28,575	\$ 487,724
Accounts Receivable, net	-	-	-
Investments	47,202	-	47,202
Inventory	-	-	-
Total Current Assets	<u>506,351</u>	<u>28,575</u>	<u>534,926</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	47,070	-	47,070
Restricted investments	37,690	-	37,690
Capital Assets, net of accumulated depreciation	473,128	-	473,128
Total noncurrent assets	<u>557,888</u>	<u>-</u>	<u>557,888</u>
Total Assets	<u>1,064,238</u>	<u>28,575</u>	<u>1,092,814</u>
LIABILITIES			
Current Liabilities:			
Deposits subject to refund	47,263	-	47,263
Notes payable-current portion	-	-	-
Due to other funds	-	-	-
Total current liabilities	<u>47,263</u>	<u>-</u>	<u>47,263</u>
Noncurrent Liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>47,263</u>	<u>-</u>	<u>47,263</u>
NET ASSETS			
Invested in Capital Assets, net of debt	473,128	-	473,128
Restricted	37,496	-	37,496
Unrestricted	506,351	28,575	534,926
Total Net Assets	<u>\$ 1,016,975</u>	<u>\$ 28,575</u>	<u>\$ 1,045,550</u>

See accompanying notes to the basic financial statements,

CITY OF GARBER, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

	General Fund	2-cent Sales Tax Fund	Cleet Fund	Grant Fund	Total
Revenues:					
Taxes	\$ 38,543	\$ 175,588	\$ -	\$ -	\$ 214,131
Intergovernmental	8,625	-	-	-	8,625
Charges for Services	647	1,399	-	-	2,046
Fines and forfeitures	6,160	-	468	-	6,628
Licenses and permits	649	-	-	-	649
Trash	55,635	-	-	-	55,635
Interest	578	103	-	-	681
Miscellaneous	10,236	5	-	-	10,241
Total Revenues	121,072	177,095	468	-	298,635
Expenditures:					
General Government	32,488	6,047	-	-	38,535
City Clerk	23,834	-	-	-	23,834
Managerial	5,418	-	-	-	5,418
City Treasurer	14,880	-	-	-	14,880
Municipal Court	2,400	-	-	-	2,400
Office Improvement	1,098	-	-	-	1,098
Parks	238	18,832	-	-	19,070
Animal Control	6,967	-	-	-	6,967
Emergency Management	-	-	-	-	-
Street	7,065	1,726	-	-	8,791
Trash	43,840	-	-	-	43,840
Fire Department	18,119	-	-	-	18,119
Police Department	30,497	-	439	-	30,936
Sanitary Department	1,108	-	-	-	1,108
Grant Expenditures	-	-	-	-	-
Total Expenditures	187,952	26,605	439	-	214,995
Excess (deficiency) of revenues over expenditures	(66,880)	150,490	30	-	83,640
Other Financing Sources					
Transfers In	130,943	-	-	-	130,943
Transfers Out	-	(85,943)	-	-	(85,943)
Total Other Financing Sources	130,943	(85,943)	-	-	45,000
Net Changes in Fund Balance	64,063	64,547	30	-	128,640
Fund Balance - Beginning	309,940	135,259	415	7,082	452,696
Fund Balance - Ending	<u>\$ 374,003</u>	<u>\$ 199,806</u>	<u>445</u>	<u>7,082</u>	<u>\$ 581,336</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances					128,640
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					-
Capital assets transferred to Enterprise Fund					-
Depreciation					-
Change in net assets of governmental activities					<u>\$ 128,640</u>

CITY OF GARBER, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

	Garber Municipal Authority	Garber Economic Development Authority	Total
Revenues:			
Charges for services:			
Water	\$ 268,657	\$ -	\$ 268,657
Sewer	48,367	-	48,367
Cable	-	-	-
Other	7,088	1,595	8,683
Total Revenues	<u>324,111</u>	<u>1,595</u>	<u>325,706</u>
Expenses:			
Director-Public Works	16,891	-	16,891
Water	33,819	-	33,819
Maintenance & Operations	23,918	-	23,918
Sewer	-	-	-
General	58,084	-	58,084
Cable Department	-	-	-
Depreciation	<u>11,747</u>	<u>-</u>	<u>11,747</u>
Total Expenses	<u>144,459</u>	<u>-</u>	<u>144,459</u>
Operating Income (Loss)	<u>179,652</u>	<u>1,595</u>	<u>181,247</u>
Non-operating revenues (expenses):			
Gain (Loss) on Sale of Asset	-	-	-
Investment income	885	22	907
Interest expense	-	-	-
Other-Transfers In	-	-	-
Other-Transfers Out	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Total Non-operating Revenues (Expenses)	<u>(44,115)</u>	<u>22</u>	<u>(44,093)</u>
Changes in Net Assets	135,537	1,617	137,154
Net Assets - Beginning	881,438	26,958	908,396
Net Assets - Ending	<u>\$ 1,016,975</u>	<u>\$ 28,575</u>	<u>\$ 1,045,550</u>

See Accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS-CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2013

	Garber Municipal Authority	Garber Economic Development Authority	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 324,111	\$ 1,595	\$ 325,706
Payments to suppliers and employees	(132,712)	-	(132,712)
Total Revenues	<u>191,399</u>	<u>1,595</u>	<u>192,994</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(45,000)	-	(45,000)
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Interest Paid	-	-	-
Purchase of 2 Water Trucks	(27,276)	-	(27,276)
Principal Paid	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Use of Reserves to liquidate debt	-	-	-
Interest Receipts	<u>885</u>	<u>22</u>	<u>907</u>
Net Change in cash and cash equivalents	120,008	1,617	121,625
Beginning Balance	471,102	26,958	498,060
Ending Balance	<u><u>\$ 591,110</u></u>	<u><u>\$ 28,575</u></u>	<u><u>\$ 619,686</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	179,652	1,595	181,247
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,747	-	11,747
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 191,399</u></u>	<u><u>\$ 1,595</u></u>	<u><u>\$ 192,994</u></u>

Note 1. Summary of Significant Accounting Policies

The accounting policy of the City of Garber is to prepare its financial statements on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial Reporting Entity

The City's financial reporting entity is composed of the following:

Primary Government	City of Garber
Blended Component Units	Garber Municipal Authority
Discretely Presented Component Units	Garber Economic Development Authority
	None

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized as when they are received. Expenditures generally are recognized when a liability is paid.

The City reports the following major governmental funds.

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are wither legally restricted for a specific purposes or designated to finance particular functions or activities. These funds include the Public Ways Fund (2-cent sales tax), Fire Protection Fund, and the Police Bail Fund. The Garber Municipal Authority, a proprietary fund, is used to account for the business-like activities provided to the general public. Included in this fund is the Meter Deposit Fund.

Accounting estimates

The preparation of financial statements not in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the fiscal year. The City prepares its financial statements on the cash basis for governmental funds and on the modified cash basis for the proprietary funds.

Cash and cash equivalents

The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF GARBER
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Investments

Investments are stated at fair value based upon quoted market prices. All investments of the City are currently held as certificate of deposits.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental columns in the government-wide financial statements. Capital assets are omitted from the Town's financial statements. The Town has presented the capital assets in the Public Works or proprietary fund. The Town capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for improvements, and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	30 - 50
Building improvements	20 – 50
Machinery and equipment	5 – 15
Infrastructure	20 – 65
Vehicles	5 – 10

Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund. No liability for compensated absences has been presented on the basic financial statements.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

No long-term liabilities exist as of the balance sheet date, nor did the Town incur any debt during the fiscal year under being reported.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities. No encumbrances exist as of the end of the fiscal year.

Fund equity and net assets

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

In the government-wide financial statements, net assets are classified in the following categories: Invested in Capital Assets, Net of Related Debt—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance—total governmental funds, and net assets—governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” There are no reconciling items to be reported under the current accounting method utilized by the Town.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” There are no reconciling items to be reported under the Town’s accounting basis.

Note 3. Budgets and Budgetary Accounting

The City’s general budget policies are as follows:

General Fund

The City, in accordance with Oklahoma Statutes, Title 69 the City formally adopt budgets which include the General Fund. This annual budget is adopted and published by the City Council based upon prior year’s results and expected expenses of the City. The Budget is published after a public hearing and approval of the Council.

Special revenue funds

The City does have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies.

Note 4. Cash, Cash Equivalents and Investments

The City utilizes the services of a Treasurer for cash and investment control and accountability. The treasurer is authorized to deposit funds in accounts that are either fully insured or collateralized by acceptable collateral valued at no more than market value. Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of the current fiscal year end all cash and investments of the Town were entirely insured or collateralized as required by Oklahoma Statutes.

Deposits and Investments

Primary government:

As of June 30, 2013, the primary government had the following investments:

All investments of the City are in the form of Certificate of Deposits

Interest rate risk. The City does not currently have a policy regarding interest rate risk.

Credit risk. The City does not have a formal policy regarding credit risk. Oklahoma statutes authorize the City to invest only in certificates of deposits that are either guaranteed or fully collateralized by the financial institution that holds the deposits.

Custodial credit risk—deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

Insured or collateralized with securities held by the City or by its agent in the City's name. The collateralized securities are pledged by the financial institution's trust department or agent in the City's name.

Uncollateralized.

All deposits of the City are categorized as (A) type deposits identified above. The carrying amount and market value is equal to the cash balance reported in the financial statement and in the following chart as of June 30, 2013.

CITY OF GARBER
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Investments

The City's investments consisted of bank certificates of deposit during the year and are fully insured or collateralized as of June 30, 2013. Additionally, certain funds were held as restricted for Debt Service and for Customer Meter Deposits.

Note 5. Inter-fund Receivables, Payables and Transfers

As of June 30, 2013, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

Inter-fund transfers during the year ended June 30, 2013 were as follows:

Transfers To	Transfers From	
General Fund	Municipal Authority	\$45,000
General Fund	2-cent Fund	\$85,943

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Special revenue funds transfer excess revenues to fund various projects within the City.

Note 6. Capital Assets

The following chart details the activity related to capital assets for the Fiscal Year June 30, 2013:

Proprietary Activities:

Water System	\$ 649,570
Water Trucks (2)	27,276
Cable System	<u>0</u>
	676,846
Less: Accumulated Depreciation	<u>(218,718)</u>
Capital Assets	<u>\$ 458,128</u>

Note 7. Unearned Revenue/Deferred Revenue

The City has no Unearned or Deferred revenues as of June 30, 2013.

Note 8. Long-Term Debt and Bond Anticipation Notes

The Town of Garber and its related authorities have not long-term debt as of June 30, 2013.

Note 9. Lease Commitments

There are no current lease commitments as of June 30, 2013 or as of the report date.

Note 10. Contingent Liabilities and Commitments

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The City is not currently involved in any litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not have a material adverse effect on the financial condition of the City.

Note 11. Fund Deficits

There are no fund deficits as of June 30, 2013, or as of the report date.

Note 12. Pension Fund

The City of Garber participated in two pension and retirement plans. The plans in which the city participated area as follows:

Oklahoma Municipal Retirement Fund – Public Works Authority
The Oklahoma Firefighters Pension
Oklahoma Municipal Retirement Fund

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is age 65 with ten (10) or more years of vesting service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credited service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 65, or an actuarially reduced benefit starting at early retirement age. During the following fiscal years ended June 30, 2011, 2012, and 2013, the City and its Municipal Authority made total payments, including employee contributions of \$2,659.32, \$1,715.50, and \$1,942.33 respectively. This represents the City's match.

Firefighters pension plan

Eligible members of the City's volunteer fire department participate in a retirement and pension plan under the direction of the Oklahoma Firefighters Pension and Retirement System administered by a 13-member Oklahoma Firefighters Pension and Retirement System Board, which is a cost-sharing multiple-employer public employee retirement system (PERS). The Board acts as the fiduciary for investment and administration of the Plan.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits.

Normal retirement is the first day following the day the member completes twenty (20) years of service, regardless of age. A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.

Paid firefighters' normal retirement benefit is equal to 50% of final average compensation.

No employee contributions are required of volunteer firefighters. Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers. The state contributes 34% of the Insurance Premium Tax. During the fiscal year ended June 30, 2013, the City paid \$960 into the pension plan.

Note 13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the City.

In the event settled claims exceed the commercial coverage provided by the Town, Oklahoma statutes provide for payment by tax levy through the Sinking Fund at the rate of one-third each year. As an alternative to paying money judgments out of the Sinking Fund at the rate of one-third each year, the court, based on consideration of evidence and proof, may provide for the judgment to be paid over a period of not less than one nor more than ten years. The interest rate on any judgment when payment is extended more than three years shall be the rate prescribed by law for the first three years and at the rate of six percent for each remaining year.

WILLIAM K. GAUER

CERTIFIED PUBLIC ACCOUNTANT

121 SOUTH NOBLE ~ P.O. Box 181

WATONGA, OKLAHOMA 73772

PHONE 580-623-5071

FAX 580-623-5072

WGAUER@GAUERCPA.MYGBIZ.COM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
Garber, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Garber, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Garber, State of Oklahoma's (City's) basic financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Garber, State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William K. Gauer
Watonga, Oklahoma
January 31, 2014

SUPPLEMENTAL INFORMATION

CITY OF GARBER, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013

	Original	Final	Actual	Variance
	\$ 10,145	\$ 10,145	\$ 309,940	Over (Under) \$ 299,795
Beginning Budgetary Fund Balance				
Revenues:				
Taxes:				
Franchise Tax	-	-	25,438	-
Use Tax	-	-	11,951	-
Dog Tax	-	-	-	-
Occupation Tax	-	-	10	-
Tobacco Tax	-	-	1,143	-
Total Taxes	187,539	187,539	38,543	(148,996)
Intergovernmental:				
Motor Vehicle Tax	-	-	5,820	5,820
Alcoholic Beverage Tax	-	-	2,805	2,805
Gas Excise Tax	-	-	-	-
Grants	-	-	-	-
Investment Income	1,689	1,689	578	(1,111)
Miscellaneous Income:				
Police Fines	22,246	22,246	6,160	(16,086)
Pool Admissions	-	-	647	647
Trash Collections	56,822	56,822	55,635	(1,187)
Licenses and Permits	1,283	1,283	649	(634)
Other Miscellaneous	4,514	4,514	10,236	5,722
Other Financing Sources				
Transfer from Other Funds	-	-	45,000	45,000
Garber Municipal Authority	-	-	85,943	85,943
2 Cent Income Fund	-	-	-	-
Amounts Available for Appropriations	284,238	284,238	561,955	277,717
Budgeted Expenditures				
General Government	43,340	43,340	32,488	(10,852)
City Clerk	25,545	25,545	23,834	(1,711)
Managerial (Governing Board)	6,900	6,900	5,418	(1,482)
City Treasurer	15,333	15,333	14,880	(453)
Municipal Court	2,400	2,400	2,400	-
Office Improvement	2,200	2,200	1,098	(1,102)
Parks	2,860	2,860	238	(2,622)
Animal Control	8,800	8,800	6,967	(1,833)
Emergency Management	1,800	1,800	-	(1,800)
Street	12,000	12,000	7,065	(4,935)
Trash	52,800	52,800	43,840	(8,960)
Fire Department	19,690	19,690	18,119	(1,571)
Police Department	48,400	48,400	30,497	(17,903)
Sanitary Department	1,500	1,500	1,108	(392)
Other Financing Uses:				
Write-Off Interfund Balance	-	-	-	-
Total Charges to Appropriations	243,568	243,568	187,952	(55,616)
Ending Budgetary Fund Balance	40,670	\$ 40,670	\$ 374,003	\$ 333,333

See Accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GARBER MUNICIPAL AUTHORITY
FISCAL YEAR ENDED JUNE 30, 2013

	Original	Final	Actual	Variance Over (Under)
REVENUES:				
Water	\$ 150,108	\$ 150,108	\$ 154,446	\$ (4,338)
Sewer	48,735	48,735	48,367	368
Other	-	-	3,159	(3,159)
Bulk Water	-	-	153,601	(153,601)
Late Fees	4,300	4,300	3,929	371
	<u>203,143</u>	<u>203,143</u>	<u>363,502</u>	<u>(160,359)</u>
EXPENSES:				
Public Works Director	22,000	22,000	16,891	5,109
Water Department	31,900	31,900	26,256	5,644
Sewer Department	11,000	11,000	-	11,000
Water Tower	14,200	14,200	7,563	6,637
General	123,640	123,640	58,084	65,556
Capital Expenditures	30,000	30,000	27,276	2,724
Maintenance Worker	33,880	33,880	23,918	9,962
Depreciation	-	-	-	-
	<u>266,620</u>	<u>266,620</u>	<u>159,988</u>	<u>106,632</u>
	<u>(63,477)</u>	<u>(63,477)</u>	<u>203,513</u>	<u>(266,990)</u>
OPERATING INCOME				
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	1,200	1,200	885	315
Interest Expense (Debt Service)	(16,500)	(16,500)	-	(16,500)
Grant Receipts	-	-	-	-
Transfer In	-	-	(45,000)	45,000
Transfer Out	-	-	-	-
	<u>(15,300)</u>	<u>(15,300)</u>	<u>(44,115)</u>	<u>28,815</u>
NET REVENUES (EXPENSES)	<u>(78,777)</u>	<u>(78,777)</u>	<u>159,398</u>	<u>(238,175)</u>
BEGINNING RETAINED EARNINGS	506,351	506,351	881,438	(375,087)
ENDING RETAINED EARNINGS	<u>\$ 427,574</u>	<u>\$ 427,574</u>	<u>\$ 1,040,836</u>	<u>\$ (613,262)</u>

See Accompanying notes to the basic financial statements.